

~~SECRET~~

DD/S 58-4850

EVIS ONLY

8 DEC 1958

MEMORANDUM FOR: Deputy Director (Support)
Comptroller

SUBJECT : Report of Audit of Financial Allotment Records
Office of Security as of 30 June 1958

1. This report covers an audit of the Financial Allotment Records maintained by the Office of Security for fiscal years 1956, 1957, and 1958 (unvouchered funds) as of 30 June 1958. The audit included a review of allotment accounting procedures, an audit of selected transactions, an examination of the validity of the obligations as reported to Finance Division, and the determination of the cause of overobligations and overexpenditures.

25X1A 2. The maintenance of the Allotment Control Records did not comply with [REDACTED] made applicable to the Office of Security by Comptroller Notice 3-56. Our review of the allotment records revealed many deviations from prescribed Agency procedures and good accounting principles. The posting to the Allotment Control Records for the amount of allotment authority, obligations incurred, and expenditures was not done currently or accurately. Obligations were not adjusted to the related expenditures or adequately referenced, and the records were not closed on a monthly basis. Posting to the allotment records was in pencil. Reconciliation of expenditures to the Finance Division monthly expenditure run was not performed. The condition of the records and procedures followed resulted in weakness of internal control over the allotments. It is recommended that bookkeeping procedures as prescribed by [REDACTED] be reviewed to assure compliance therewith.

25X1A

3. The allottee's records disclosed one fiscal year 1957 allotment in which the recorded amount of the allotment exceeded by \$2,000 the authority given by the Budget Division. An inquiry was made of Budget Division records which confirmed that the allottee did not have authority to increase this allotment. Component officials could not justify their action in this matter. It is recommended that the allottee adjust allotments only upon receipt of Allotment Advice from Budget Division.

4. The total obligations as reported to Finance Division on the monthly Summary Obligation Report were not reflected on the allottee's records. It was determined that the amounts recorded and reported were not comparable or accurate. These discrepancies could not be explained. Due to the incomplete records and discrepancies noted, the validity of the total obligations as reported to Finance Division could not be determined. It is recommended that the allottee maintain an accurate record of obligations and use this record as a basis for preparing the monthly report to Finance Division.

5. Although obligating documents are not kept separate as to being liquidated or unliquidated, it was determined from a test of the records that the unliquidated obligations are materially overstated. It is recommended that obligating documents be filed separately as to being liquidated or unliquidated.

~~SECRET~~

- 2 -

6. A review of Finance Division Status of Allotment Report as of 30 September 1958 disclosed the following overobligations and overexpenditures:

<u>Fiscal Year</u>	<u>Overobligations</u>	<u>Overexpenditures</u>
1958		
1957		
1956 b/		

25X1A

- a/ Obligations adjusted to reflect expenditures.
- b/ Although overexpenditures did exist, they were not examined as fiscal year 1956 appropriations had lapsed as of 30 June 1958.

The major portion of these overexpenditures represents salary payments and field office accountings recorded after 30 June 1958. These are regular and reoccurring items that should have been anticipated and obligated in advance. It was noted further that Component officials continued to certify on documents being processed the availability of funds when the allotment has been fully expended. It is recommended that the allottee record estimated field office obligations monthly.

7. At present, the allotment records do not present a reasonably accurate statement of the status of the allotments. However, even under these circumstances, the allottees could have utilized information supplied by Finance Division's monthly expenditure run and Status of Allotment Report as a guide and control over the allotments. It is recommended that the allottee reconcile and review reports received from Finance Division to determine cause of differences and take appropriate action.

8. Budget Division, Office of the Comptroller, has not requested, nor has the Office of Security furnished, quarterly reports on prior fiscal year overobligations as required in Comptroller Instruction No. 57, dated 2 April 1958.

Administrative Action Requested

9. The matters included in this report which require administrative action are summarized as follows:

Action by the Deputy Director (Support)

25X1A

- a. Component review [redacted] to assure Allotment Control Records are maintained on a current and accurate basis. (Paragraph 2)
- b. In the future Component should adjust allotments only upon receipt of allotment advice from Budget Division. (Paragraph 3)

~~SECRET~~

~~EYES ONLY~~

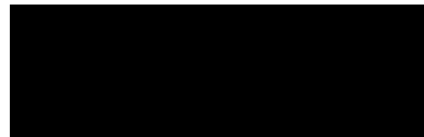
3 -

~~CONFIDENTIAL~~

- c. Component should maintain a record of obligations and use this record as a basis for reporting monthly to Finance Division. (Paragraph 4)
- d. Component should file obligating documents separately as to being liquidated or unliquidated. (Paragraph 5)
- e. Component should record all obligations. Field offices' obligations should be recorded monthly on the basis of historical data. (Paragraph 6)
- f. Component should discontinue the practice of certifying funds are available when allotments have been fully expended. (Paragraph 6)
- g. Reconcile monthly reports received from Finance Division with Allotment Control Records and take appropriate action. (Paragraph 7)

Action by the Office of the Comptroller

- h. Budget Division, Office of the Comptroller, should request quarterly reports on prior fiscal year over-obligations. (Paragraph 8)



Chief, Audit Staff

25X1A9a

~~EYES ONLY~~ ~~SECRET~~

~~CONFIDENTIAL~~